JUDGE CROTTY

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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CARTER LEDYARD & MILBURN LLP, 10 CV 4108

Plaintiff,

- against -

DAVID WASITOWSKI,

Defendant.

Removed from:

Supreme Court of the State of New York, New York County

Index No. 105801/2010

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NOTICE OF REMOVAL UNDER 28 U.S.C. § 1452(a)

Defendant David Wasitowski ("Wasitowski") hereby removes to this Court, pursuant to 28 U.S.C. § 1452(a), the action entitled *Carter Ledyard & Milburn LLP v. David Wasitowski*, pending in the Supreme Court of the State of New York, New York County, Index No. 105801/2010 (the "State Court Action"), as a proceeding arising in or related to a bankruptcy proceeding styled *In re: Pali Holdings Inc*, No.10-11727, pending in the Bankruptcy Court for the Southern District of New York before the Honorable Robert E. Gerber, United States Bankruptcy Judge (the "Bankruptcy Proceeding"). In support of removal, Wasitowski states:

I. The Bankruptcy Proceeding & the State Court Action

1. On April 1, 2010, Pali Holdings, Inc. ("Pali" or the "Debtor") commenced by voluntary petition the Bankruptcy Proceeding under title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The Bankruptcy Proceeding has not been dismissed and is pending in the Bankruptcy Court.

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2. After the commencement of the Bankruptcy Proceeding, Carter Ledyard & Milburn LLP ("CLM") commenced the State Court Action by filing a Summons and Complaint.

3. Attached hereto as Exhibit A is a copy of the Summons and Complaint, which is the only process or pleading served in this action

4. The Complaint in the State Court Action alleges that from 2008 to 2009 CLM represented Wasitowski in various civil matters in New York State Court and that Wasitowski has failed to pay CLM for legal services rendered. At the time CLM began representing Wasitowski, he was the Chief Financial Officer ("CFO") of Pali. The civil matters in which CLM represented Wasitowski arose from alleged actions taken by Wasitowski in his role as CFO of Pali. Pali's corporate Bylaws state that Pali's directors and Pali's officers "shall be indemnified" by Pali for the reasonable expenses actually incurred by a director or officer as a result of any action or threatened action made against that director or officer. Under the Bylaws, reasonable expenses include "attorney's fees, judgments, fines and amounts paid in settlement." To the extent that CLM is able to recover damages against Wasitowski in the State Court Action, Pali is obligated to completely indemnify Wasitowski for any judgment awarded to CLM resulting from the State Court Action and for other expenses incurred by Wasitowski in defending that action. Furthermore, Wasitowski is likely to have a claim against the Directors' & Officers' liability insurance policy purchased by Pali. Any D&O insurance held by Pali for the benefit of its directors and officers is an asset of Pali's estate.

5. A copy of Pali's Bylaws is attached hereto as Exhibit B.

II. Grounds for Removal

6. The State Court Action is "related to" the Bankruptcy Proceeding because (a) it is at least conceivable that the action will impact the bankruptcy and (b) the subject of the action has a substantial nexus to the bankruptcy. *See In re Cuyahoga Equip. Corp.*, 980 F.2d 110, 114 (2d Cir. 1992) (The test for determining whether litigation has a significant connection with a pending bankruptcy proceeding is whether its outcome might have any 'conceivable effect' on the bankruptcy estate."); *In re WorldCom, Inc. Sec. Litig.*, 293 B.R. 308, 318 (S.D.N.Y. 2003), *aff'd, California Pub. Empl. Ret. Sys. v. WorldCom, Inc.*, 368 F.3d 86 (2d Cir. 2004).

7. Because Pali must indemnify Wasitowski for (a) the legal fees he incurred in defending actions brought against him in his capacity as Pali's CFO, including any legal fees owed to CLM, and (b) any judgment entered against him in the State Court Action, this action is a proceeding related to the Bankruptcy Proceeding. *See In Re Cuyahoga Equip. Corp.*, 980 F. 2d 110, 114 (2d Cir. 1992) (finding that "related to" jurisdiction so long as indemnification or contribution claims against the bankrupt entity have a "reasonable legal basis"); *Widewaters Roseland Center Co. v. TJX Cos., Inc.*, 135 B.R. 204, 207-08 (N.D.N.Y. 1991) (finding suit against non-debtor guarantor had "significant connection" with bankruptcy case and was "related to" the case because suit might result in non-debtor having claims against the estate); *Boco Enter., Inc. v. Saastopankkien Keskus-Osake-Pankki (In re Bocco Enter., Inc.)*, 204 B.R. 407 (Bankr. S.D.N.Y. 1997) (action by creditor against guarantor was "related to" bankruptcy case where guarantor was officer, director, and shareholder of debtor); *See In re Masterwear Corp.*, 241 B.R. 511, 516-17 (S.D.N.Y. 1999) (finding "related to" jurisdiction when defendant might be entitled to recover legal fees from entity in bankruptcy).

8. Accordingly, the State Court Action is within the bankruptcy jurisdiction of the United States District Court under 28 U.S.C. § 1334(a) as a proceeding arising in or related to the Bankruptcy Proceeding, as it has a substantial connection to the Bankruptcy Proceeding.

9. The Bankruptcy Court, pursuant to Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984 (Ward, Acting C.J.), and 28 U.S.C. § 157, has jurisdiction of each and every cause of action asserted in the State Court Action, as all such claims and causes of actions have a clear and direct impact on Pali and Pali's estate.

10. Upon removal, this action is a core proceeding. If this action is found to be a non-core proceeding, Wasitowski consents to entry of final orders or judgment by the Bankruptcy Court.

11. In accordance with Rule 9027(a)(1) of the Federal Rules of Bankruptcy Procedure, copies of all process and pleadings in the State Court Action are attached hereto and incorporated by reference.

12. As required by Federal Rule of Bankruptcy Procedure 9027(b) and (c), a copy of this notice will be served on counsel for Plaintiff and filed with the Clerk of the Court for the Supreme Court of the State of New York, New York County.

NOW THEREFORE, all parties to the State Court Action pending in New York State Supreme Court under index number 105801/2010, are HEREBY NOTIFIED pursuant to Rule 9027(e) of the Federal Rules of Bankruptcy Procedure, as follows:

Removal of the State Court Action and all claims and cause of action therein was effected upon the filing of a copy of this Notice of Removal with the Clerk of the New

York State Supreme Court pursuant to Rule 9027(c) of the Federal Rules of Bankruptcy Procedure. The State Court Action is removed from the State Court to District Court in the Southern District of New York.

Dated: May 19, 2010
New York, New York

Gregory L. Smith (GS-8667)
Michael Yim (MY-5335)
Of counsel

Law Office of Gregory L. Smith
155 Water St., Fl. 6
Brooklyn NY 11201
Telephone: (718) 210-3641
Facsimile: (718) 872-9688

CERTIFICATE OF SERVICE

This will certify that a true and correct copy of the foregoing was sent by United States mail to the following counsel of record on this 19th day of May, 2010.

Robert J.A. Zito
Leonardo Trivigno
Carter Ledyard & Milburn, LLP
Two Wall Street
New York, New York 10005

Dated: May 19, 2010
New York, New York

Gregory L. Smith (GS-8667)
Law Office of Gregory L. Smith
155 Water St., Fl. 6
Brooklyn NY 11201
Telephone: (718) 210-3641
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SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

CARTER LEDYARD & MILBURN LLP, Plaintiff, - against - DAVID WASITOWSKI, Defendant.	Index No. 105801/2010 Date purchased: May 3, 2010 **SUMMONS** Plaintiff designates New York County as the place of trial. Venue is based on Plaintiff's principal place of business.

TO THE ABOVE-NAMED DEFENDANT:

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer upon the Plaintiff's Attorneys within twenty (20) days after the service of this summons, exclusive of the day of service, or within thirty (30) days after the service is complete if this summons is not personally delivered to you within the State of New York. In case of your failure to appear or answer, judgment will be taken against you by default for the relief demanded in the complaint.

Dated: New York, New York
May 3, 2010

CARTER LEDYARD & MILBURN LLP

By: [signature]
Robert J.A. Zito
Leonardo Trivigno
Two Wall Street
New York, New York 10005
(212) 732-3200

Plaintiff Pro Se

Defendant's Address:

David Wasitowski
Forefront Advisory
330 Madison Avenue, 36th Floor
New York, NY 10017

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SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

CARTER LEDYARD & MILBURN LLP, Plaintiff,	:	Index No.
- against -	:	**COMPLAINT**
DAVID WASITOWSKI, Defendant.	:	

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Plaintiff, Carter Ledyard & Milburn LLP, as and for its complaint against the Defendant, alleges as follows:

1. Plaintiff, Carter Ledyard & Milburn ("CLM") is a New York limited liability partnership with offices for the conduct of its business located in New York, New York.

2. Defendant, David Wasitowski is an individual who, upon information and belief, is employed by Forefront Advisory located at 330 Madison Avenue, New York, NY and who resides at 5 Laga Court, Ringos, New Jersey 08551.

3. Defendant is a former director and officer of Pali Holdings, Inc. ("Pali"). In or about June 2008, Defendant retained CLM to represent him in the defense of allegations against him relating to actions he allegedly took, or failed to take, as an officer and director of Pali in the context of various lawsuits, and then a resulting New York County District Attorney's Office investigation regarding Defendant's alleged involvement in forging a Pali proxy, among other alleged criminal conduct.

4. In or about June 2008, certain shareholders of Pali commenced a derivative action against the Defendant, among others, in the Supreme Court of the State of New

York, County of New York, styled as "*Ronald Weinstein, et al. v. Bradley C. Reifler, et al.*," bearing the New York County Clerk's Index No. 601938/2008 (hereinafter *Weinstein v. Reifler*).

5. In or about August 2008, certain shareholders of Pali also commenced a special proceeding against the Defendant, among others, in the Supreme Court of the State of New York, County of New York, styled as "*Berk et al. v. Pali Holdings, Inc.*," bearing the New York County Clerk's Index. No. 110788/08 (hereinafter *Berk v. Pali*), pursuant to Article 78 of the New York Civil Practice Law and Rules.

6. In or about November 2008, the New York County District Attorney's Office initiated an criminal investigation regarding Defendant's alleged participation in forging a corporate proxy, as well as other activities.

7. CLM represented the Defendant in each of these matters, and his right, if any, to receive reimbursement from director and officer insurance carriers.

8. By order, dated July 27, 2009, the court in *Berk v. Pali* granted the Defendant's motion to dismiss the petition as against him.

9. On or around December 19, 2009, CLM executed a Consent to Change Attorney, pursuant to which the Law Office of Gregory L. Smith was substituted for CLM in the *Weinstein v. Reifler* action. Upon information and belief, the *Weinstein v. Reifler* action against the Defendant was subsequently dismissed without prejudice.

10. In approximately January 2010, Pali filed for bankruptcy protection, although Pali Capital, Inc., Pali's broker-dealer subsidiary, continues to operate.

11. In connection with the above-described services, the amount that remains unpaid to CLM totals $695,166.85.

AS AND FOR A FIRST CAUSE OF ACTION
(Breach of Contract)

12. CLM repeats and realleges each of the foregoing allegations as if set forth fully herein.

13. The Defendant entered into a contract with CLM pursuant to which CLM agreed to perform legal services for Defendant and, in consideration thereof, Defendant agreed to pay for the performance of those services and any sums necessarily advanced by CLM for the account and benefit of Defendant, as evidenced by a written engagement agreement.

14. Defendant has breached his contract with CLM in that he has failed, refused and neglected to pay the sum due of $695,166.85.

15. By reason of Defendant's breach of contract, CLM has sustained damages in the amount of at least $695,166.85.

AS AND FOR A SECOND CAUSE OF ACTION
(Account Stated)

16. CLM repeats and realleges each of the foregoing allegations as if set forth fully herein.

17. During the period from approximately June 2008 through the present, CLM rendered work, labor and services on behalf and for the benefit of the Defendant.

18. In connection with such services, CLM submitted various invoices and statements of account to Defendant setting forth the services rendered and the sums advanced by CLM with respect to the legal matters for which Defendant had retained CLM.

19. The total amounts of the statements of account that remain unpaid are $695,166.85.

20. Defendant received and retained the invoices and accepted these invoices as correct by failing to question or object to the time entries or rates contained in them within a reasonable time after receipt.

21. CLM has demanded payment of the foregoing amount but Defendant has failed, refused and neglected to remit payment.

22. By reason of the foregoing, an account has been stated between CLM and the Defendant for at least the sum of $695,166.85.

WHEREFORE, Plaintiff Carter Ledyard & Milburn LLP demands judgment against Defendant David Wasitowski in at least the sum of $695,166.85, together with interest, the costs and disbursements of this action, and such other and further relief which this Court deems just and proper.

Dated: New York, New York
May 3, 2010

CARTER LEDYARD & MILBURN LLP

By: ______________________

Robert J.A. Zito
Leonardo Trivigno
Two Wall Street
New York, New York 10005
(212) 732-3200

Plaintiff Pro Se

Exhibit B

BYLAWS

OF

PALI HOLDINGS, INC.

ARTICLE 1

DEFINITIONS

As used in these Bylaws, unless the context otherwise requires, the term:

1.1. "Board" means the Board of Directors of the Corporation.

1.2. "Business Corporation Law" means the Business Corporation Law of the State of New York, as amended from time to time.

1.3. "Bylaws" means the initial Bylaws of the Corporation, as amended from time to time.

1.4. "Certificate of Incorporation" means the initial certificate of incorporation of the Corporation, as amended, supplemented or restated from time to time.

1.5. "Corporation" means PALI HOLDINGS, INC.

1.6. "Directors" means directors of the Corporation.

1.7. "Office of the Corporation" means the executive office of the Corporation, anything in Section 102(10) of the Business Corporation Law to the contrary notwithstanding.

1.8. "Shareholders" means shareholders of the Corporation.

ARTICLE 2

SHAREHOLDERS

2.1. Place of Meetings. Every meeting of the shareholders shall be held at the office of the Corporation or at such other place within or without the State of New York as shall be specified or fixed in the notice of such meeting or in the waiver of notice thereof

2.2. Annual Meeting. A meeting of shareholders shall be held annually for the election of directors and the transaction of other business on such date and at such time and place as shall be determined by the Board.

2.3. Special Meetings. A special meeting of shareholders, unless otherwise provided by law.

(i) may be called at any time by the Board, the Chief Executive Officer, the President or the Secretary, and

(ii) shall be called by the Chief Executive Officer, the President or the Secretary on the written request, stating the purpose or purposes of the requested meeting, of a majority of the Directors or holders of fifty percent (50%) or more of the shares of the Corporation entitled to vote in an election of directors. At any special meeting of shareholders only such business may be transacted which is related to the purpose or purposes of such meeting set forth in the notice thereof given pursuant to Section 2.6 of the Bylaws or in any waiver of notice thereof given pursuant to Section 2.7 of the Bylaws.

2.4. Special Meeting for the Election of Directors. If, for a period of one month after the date fixed in Section 2.2 for the annual meeting of shareholders for the election of directors and the transaction of other business, there is a failure to elect a sufficient number of directors to conduct the business of the Corporation, the Board shall, within two weeks after the expiration of such period, call a special meeting of shareholders for the election of directors and the transaction of other business. If at any time there is no director in office, the Chief Executive Officer, the President, the Secretary, or an Assistant Secretary shall call a special meeting of shareholders for the election of directors and the transaction of other business.

2.5. Fixing Record Date. For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action, the Board may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than sixty or less than ten days before the date of such meeting, nor more then sixty days prior to any other action. If no such record date is fixed:

2.5.1 The record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given, or, if no notice is given, the day on which the meeting is held;

2.5.2 The record date for determining shareholders for any purpose other than that specified in Section 2.5.1 shall be at the close of business on the day on which the resolution of the Board relating thereto is adopted.

When a determination of shareholders entitled to notice of or to vote at any meeting of shareholders has been made as provided in this Section 2.5, such determination shall apply to any adjournment thereof, unless the Board fixes a new record date for the adjourned meeting.

2.6. Notice of Meetings of Shareholders. Except as otherwise provided in Sections 2.5 and 2.7 of the Bylaws, whenever under the Business Corporation Law or the Certificate of Incorporation or the Bylaws, shareholders are required or permitted to take any action at a meeting, written notice shall be given stating the place, date and hour of the meeting and, unless it is the annual meeting, stating that it is being issued by or at the direction of the person or persons calling the meeting. Notice of a special meeting shall also state the purpose or purposes for which the meeting is called. If, at any meeting, action is proposed to be taken which would, if taken, entitle shareholders fulfilling the requirements of Section 623 of the Business Corporation Law to receive payment for their shares, the notice of such meeting shall include a statement of that purpose and to that effect. A copy of the notice of any meeting shall be given, personally or by mail, not less than ten nor more than sixty days before the date of the meeting, to each shareholder entitled to notice of or to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, with postage thereon prepaid, directed to the shareholder at his or her address as it appears on the record of shareholders, or, if he shall have filed with the Secretary of the Corporation a written request that notices to him be mailed to some other address, then directed to him at such other address. An affidavit of the Secretary or other person giving the notice or of the transfer agent of the Corporation, if any, that the notice required by this section has been given shall, in the absence of fraud, be prima facie evidence of the facts therein stated. When a meeting is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted at the meeting as originally called. However, if after the adjournment the Board fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record on the new record date who is entitled to notice.

2.7. Waiver of Notice. Notice of meeting need not be given to any shareholder who submits a signed waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him.

2.8. List of Shareholders at Meeting. A list of shareholders as of the record date, certified by the officer of the Corporation responsible for its preparation, or by the transfer agent of the Corporation, if any, shall be produced at any meeting of shareholders upon the request thereof or prior thereto of any shareholder. If the right to vote at any meeting is challenged, the inspectors of election, or person presiding thereat, shall require such list of shareholders to be produced as evidence of the right of the persons challenged to vote at such meeting, and all persons who appear from such list to be shareholders entitled to vote thereat may vote at such meeting.

2.9. Quorum of Shareholders; Adjournment. The holders of a majority of the shares entitled to vote at any meeting of shareholders, present in person or represented by proxy, shall constitute a quorum for the transaction of any business at the meeting. When a quorum is once present to organize a meeting of shareholders, it is not broken by the subsequent withdrawal of any shareholders. A majority of the shareholders present in person or represented by proxy at any meeting of shareholders, including an adjourned meeting, whether or not a quorum is present, may adjourn the meeting to another time and place.

2.10. Voting; Proxies. Unless otherwise provided in the Certificate of Incorporation, every shareholder of record shall be entitled at every meeting of shareholders to one vote for each share standing in his or her name on the record of shareholders determined in accordance with Section 2.5 of the Bylaws. The provisions of Section 612 of the Business Corporation Law shall apply in determining whether any shares may be voted and the persons, if any, entitled to vote such shares; but the Corporation shall be protected in treating the persons in whose names shares stand on the record of shareholders as owners thereof for all purposes. At any meeting of shareholders, a quorum being present, directors shall, except as otherwise provided by law or by the Certificate of Incorporation, be elected by a plurality of the votes cast at the meeting by the holders of shares entitled to vote in the election, and any other corporate action or matter, except as otherwise provided by law or by the Certificate of Incorporation, shall be taken or decided by a majority of the votes cast at the meeting by the holders of shares present in person or represented by proxy and entitled to vote thereon. In voting on any question on which a vote by ballot is required by law or is demanded by any shareholder entitled to vote, the voting shall be by ballot. Each ballot shall be signed by the shareholder voting or by his or her proxy, and shall state the number of shares voted. On all other questions, the voting may be viva voce. Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent without a meeting may authorize another person or persons to act for him by proxy. The validity and enforceability of any proxy shall be determined in accordance with Section 609 of the Business Corporation Law.

2.11. Selection and Duties of Inspectors at Meeting of Shareholders. The Board, in advance of any meeting of shareholders, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at the meeting may, and on the request of any shareholder entitled to vote thereat, shall appoint one or more inspectors. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his or her ability. The inspector or inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder entitled to vote thereat, the inspector or inspectors shall make a report in writing of any challenge, question or matter determined by him or them and execute a certificate of any fact found by them. Any report or certificate made by the inspector or inspectors shall be prima facie evidence of the facts stated and of the vote as certified by him or them.

2.12. Organization. At every meeting of shareholders, the Chairman of the meeting shall be the Chairman of the Board; or in his or her absence, the Chief Executive Officer, or in his or her absence, the President, or in his or her absence, a Vice President, and in case more than one Vice President shall be present, that Vice President designated by the Board (or in the absence of any such designation, the most senior Vice President, based on age, present). The Secretary, or in his or her absence one of the Assistant Secretaries, shall act as Secretary of the meeting. In case none of the officers above designated to act as Chairman or Secretary of the meeting, respectively, shall be present, a Chairman or a Secretary of the meeting, as the case may be, shall be chosen by a majority of the votes cast at the meeting by the holders of shares present in person or represented by proxy and entitled to vote at the meeting.

2.13. Order of Business. The order of business at all meetings of the shareholders shall be as determined by the Chairman of the meeting, but the order of business to be followed at any meeting at which a quorum is present may be changed by a majority of the votes cast at the meeting by the holders of shares present in person or represented by proxy and entitled to vote at the meeting.

2.14. Written Consent of Shareholders Without a Meeting. Whenever the shareholders are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by the holders of all outstanding shares entitled to vote thereon. Such consent shall have the same effect as a unanimous vote of shareholders.

ARTICLE 3

DIRECTORS

3.1. General Powers. Except as otherwise provided in the Certificate of Incorporation, the business of the Corporation shall be managed by its Board. The Board may adopt such rules and regulations, not inconsistent with the Certificate of Incorporation or the Bylaws or applicable laws, as it may deem proper for the conduct of its meetings and the management of the Corporation. In addition to the powers expressly conferred by the Bylaws, the Board may exercise all powers and perform all acts which are not required, by the Bylaws or the Certificate of Incorporation or by law, to be exercised and performed by the shareholders.

3.2. Number; Qualification; Term of Office. The Board of Directors shall consist of one or more members. Subject to the provisions of the preceding sentence and of Section 702(b) of the Business Corporation Law, the number of directors shall be fixed initially by the Incorporator and may thereafter be changed from time to time by action of the shareholders or by vote of a majority of the entire Board. Each director shall be at least eighteen years of age. Each director shall be elected to hold office until the annual meeting of shareholders next following his or her election. Each director shall hold office until the expiration of the term for which he is elected, and until his or her successor has been elected and qualified, or until his or her earlier resignation or removal.

The current number of directors is set as five (5).

3.3. Election. Directors shall, except as otherwise provided by law or by the Certificate of Incorporation, be elected in the manner provided in Section 2.10 of the Bylaws.

3.4. Newly Created Directorships and Vacancies. Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the Board for any reason, including the removal of directors without cause, may be filled by vote of a majority of the directors then in office, although less than a quorum, at any meeting of the Board or may be elected by a plurality of the votes cast by the holders of shares entitled to vote in the election at a special meeting of shareholders called for that purpose. A director elected to fill a vacancy shall be elected to hold office until the annual meeting of shareholders next following his or her election and shall hold office until his or her successor has been elected and qualified, or until his or her earlier resignation or removal.

3.5. Resignations. Any director may resign at any time by written notice to the Board of Directors, the Chief Executive Officer, the President or the Secretary. The resignation shall take effect at the time the notice is received or at such later time as is specified in the notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective.

3.6. Removal of Directors. Subject to the provisions of Section 706 of the Business Corporation Law, any or all of the directors may be removed:

(i) for cause by vote of the shareholders or by action of the Board, or

(ii) without cause by vote of the shareholders.

3.7. Compensation. Each director, in consideration of his or her service as such, shall be entitled to receive from the Corporation such amount per annum or such fees for attendance at directors' meetings, or both, as the Board may from time to time determine, together with reimbursement for the reasonable expenses incurred by him in connection with the performance of his or her duties. Each director who shall serve as a member of any committee of directors in consideration of his or her serving as such shall be entitled to such additional amount per annum or such fees for attendance at committee meetings, or both, as the Board may from time to time determine, together with reimbursement for the reasonable expenses incurred by him in the performance of his or her duties. Nothing in this section shall preclude any director from serving the Corporation or its subsidiaries in any other capacity and receiving proper compensation therefor.

3.8. Place and Time of Meetings of the Board. Meetings of the Board, regular or special, may be held at any place within or without the State of New York. The times and places for holding meetings of the Board may be fixed from time to time by resolution of the Board or (unless contrary to resolution of the Board) in the notice of the meeting.

3.9. Annual Meetings. On the day when and at the place where the annual meeting of shareholders for the election of directors is held, and as soon as practicable thereafter, the Board may hold its annual meeting, without notice of such meeting, for the purposes of organization, the election of officers and the transaction of other business. The annual meeting of the Board may be held at any other time and place specified in a notice given as provided in Section 3.11 of the Bylaws for special meetings of the Board or in a waiver of notice thereof.

3.10. Regular Meetings. Regular meetings of the Board may be held at such times and places as may be fixed from time to time by the Board. Unless otherwise required by the Board, regular meetings of the Board may be held without notice. If any day fixed for a regular meeting of the Board shall be a Saturday or Sunday or a legal holiday at the place where such meeting is to be held, then such meeting shall be held at the same hour at the same place on the first business day thereafter which is not a Saturday, Sunday or legal holiday.

3.11. Special Meetings. Special meetings of the Board shall be held whenever called by the Chairman of the Board, the Chief Executive Officer, the President or the Secretary or by any two or more directors. Notice of each special meeting of the Board shall be given to each director:

(i) by first class mail, addressed to him at the address designated by him for that purpose or, if none is designated, at his or her last known address, at least two days before the date on which the meeting is to be held; or

(ii) by telegraph, cable, wireless, or personal delivery to him, at such address, not later than the day before the date on which such meeting is to be held. Each such notice shall state the time and place of the meeting but need not state the purposes of the meeting, except to the extent required by law. If mailed, each notice shall be deemed given when deposited, with postage thereon prepaid, in a post office or official depository under the exclusive care and custody of the United States post office department.

3.12. Adjourned Meetings. A majority of the directors present at any meeting of the Board, including an adjourned meeting, whether or not a quorum is present, may adjourn such meeting to another time and place. Notice of any adjourned meeting of the Board need not be given to any director whether or not present at the time of the adjournment. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting as originally called.

3.13. Waivers of Notice of Meetings. Anything in these Bylaws or in any resolution adopted by the Board to the contrary notwithstanding, notice of any meeting of the Board need not be given to any director who submits a signed waiver of such notice, whether before or after the meeting, or who attends such meeting without protesting, prior thereto or at its commencement, the lack of notice to him. Any such waiver of notice need not state the purposes of the meeting.

3.14. Organization. At each meeting of the Board, the Chairman of the Board, if any, or in his or her absence, the Chief Executive Officer, if any, or in his or her absence, the President, or, in the absence of all of the Chairman of the Board the Chief Executive Officer and the President, a director chosen by the majority of the directors present, shall preside. The Secretary shall act as Secretary at each meeting of the Board. If the Secretary is absent from any meeting of the Board, an Assistant Secretary shall perform the duties of Secretary at such meeting. In the absence from any such meeting of the Secretary and Assistant Secretaries, the person presiding at the meeting may appoint any person to act as Secretary of the meeting.

3.15. Quorum of Directors. A majority of the directors then in office shall constitute a quorum for the transaction of business or of any specified item of business at any meeting of the Board.

3.16. Action by the Board. All corporate action taken by the Board shall be taken at a meeting of the Board. Except as otherwise provided by the Certificate of Incorporation or by law, the vote of a majority of the directors present at the time of the vote, if a quorum is present at such time, shall be the act of the Board.

3.17. Participation by Telephone. Any one or more members of the Board or of any committee thereof may participate in a meeting of the Board or of such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting for all purposes.

3.18. Action in Writing. Any action required or permitted to be taken at any meeting of the Board of Directors or any Committee thereof may be taken without a meeting, if all members of the Board or Committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or Committee.

ARTICLE 4

EXECUTIVE COMMITTEE AND OTHER COMMITTEES

4.1. How Constituted and Powers. The Board, by resolution adopted by a majority of the entire Board, may designate from among its members an executive committee and other committees, each consisting of one or more directors, and each of which, to the extent provided in the resolution, shall have all the authority of the Board, except that no such committee shall have authority as to the following matters:

4.1.1 The submission to shareholders of any matter that needs shareholders' approval;

4.1.2 The filling of vacancies in the Board or in any committee;

4.1.3 The fixing of compensation of the directors for serving on the Board or on any committee;

4.1.4 The amendment or repeal of the Bylaws, or the adoption of new Bylaws; or

4.1.5 The amendment or repeal of any resolution of the Board which, by its terms, shall not be so amendable or repealable.

4.2. General. The Board may designate one or more directors as alternate members of any committee designated by the Board pursuant to Section 4.1 of the Bylaws, who may replace any absent or disqualified member or members at any meeting of such committee. Any such committee, and each member and alternate member thereof, shall serve at the pleasure of the Board.

ARTICLE 5

OFFICERS

5.1. Officers. The officers of the Corporation shall be elected by the Board of Directors. Such officers shall include the President, the Secretary and the Chief Financial Officer and/or the Treasurer and may also include the Chief Executive Officer, the Chief Operating Officer, and one or more Vice-Presidents. The Board of Directors may also elect as an officer of the Corporation a Chairman of the Board and, as may be necessary or desirable for the business of the Corporation, may elect such other officers (including one or more Assistant Treasurers and one or more Assistant Secretaries) with such titles and duties as the Board of Directors shall state in a resolution which is not inconsistent with these Bylaws. Each officer shall hold office for the term for which he is elected or appointed, and until his or her successor shall have been elected or appointed and qualified or until his or her resignation or removal in the manner provided in Section 5.2 of the Bylaws. Any two or more offices may be held by the same person, and no officer except the Chairman of the Board need be a Director. The Board may require any officer to give a bond or other security for the faithful performance of his or her duties, in such amount and with such sureties as the Board may determine. All officers as between themselves and the Corporation shall have such authority and perform such duties in the management of the Corporation as may be provided in the Bylaws or, to the extent not so provided, by the Board.

5.2. Removal of Officers. Any officer elected or appointed by the Board may be removed by the Board with or without cause. The removal of an officer without cause shall be without prejudice to his or her contract rights, if any. The election or appointment of an officer shall not of itself create contract rights.

5.3. Resignations. Any officer may resign at any time in writing by notifying the Board or the President or the Secretary. The resignation shall take effect at the time the notice is received or at such later time as is specified in the notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. The resignation of an officer shall be without prejudice to the contract rights of the Corporation, if any.

5.4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term in the manner prescribed in the Bylaws for the regular election or appointment to such office.

5.5. Compensation. Salaries or other compensation of the officers may be fixed from time to time by the Board. No officer shall be prevented from receiving a salary or other compensation by reason of the fact that he is also a director.

5.6. Chairman of the Board. The Chairman of the Board shall have general executive powers, shall preside at all meetings of the shareholders and at all meetings of the Board and shall exercise such other powers and duties from time to time as may be determined by the Board.

5.7. Chief Executive Officer. The Chief Executive Officer shall be the chief executive officer of the Corporation and shall preside at all meetings of the shareholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. The Chief Executive Officer shall perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

5.8. Chief Operating Officer. The Chief Operating Officer shall perform such duties and have such powers as the Board of Directors shall designate from time to time.

5.9. President. In the absence or disability of the Chief Executive Officer, the President shall be the chief executive officer of the Corporation and shall preside at each meeting of the Board of Directors or the stockholders. He or she shall perform all duties incident to the office of President and chief executive officer and such other duties as may from time to time be assigned to him or her by the Board of Directors.

5.10. Vice President. If the Corporation has one or more Vice-Presidents, each Vice-President shall perform all such duties as from time to time may be assigned to him or her by the Board of Directors, the Chief Executive Officer or the President. At the request of the Chief Executive Officer or the President or in their absence or in the event of their inability or refusal to act, the Vice-President, if the Corporation has one, or if there shall be more than one, the Vice Presidents in the order determined by the Board of Directors (or if there be no such determination, then the Vice-Presidents in the order of their election), shall perform the duties of the President, and, when so acting, shall have the powers of and be subject to the restrictions placed upon the President in respect of the performance of such duties.

5.11. Chief Financial Officer and/or Treasurer. The Chief Financial Officer and/or the Treasurer shall:

(i) have charge and custody of, and be responsible for, all the funds and securities of the Corporation;

(ii) keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation;

(iii) deposit all moneys and other valuables to the credit of the Corporation in such depositories as may be designated by the Board of Directors or pursuant to its direction;

(iv) receive, and give receipts for, moneys due and payable to the Corporation from any source whatsoever;

(v) disburse the funds of the Corporation and supervise the investments of its funds, taking proper vouchers therefor;

(vi) render to the Board of Directors, whenever the Board of Directors may require, an account of the financial condition of the Corporation; and

(vii) in general, perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors.

5.12. Secretary. The Secretary shall:

(i) keep or cause to be kept in one or more books provided for the purpose, the minutes of all meetings of the Board of Directors, the committees of the Board of Directors and the stockholders;

(ii) see that all notices are duly given in accordance with the provisions of these Bylaws and as required by law;

(iii) be custodian of the records and the seal of the Corporation and affix and attest :he seal to all certificates for shares of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and affix and attest the seal to all other documents to be executed on behalf of the Corporation under its seal;

(iv) see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and

(v) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the Board of Directors.

5.13. Assistant Treasurer. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as from time to time may be assigned by the Board of Directors.

5.14. Assistant Secretary. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties as from time to time may be assigned by the Board of Directors.

ARTICLE 6

CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

6.1. Execution of Contracts. The Board may authorize any officer, employee or agent, in the name and on behalf of the Corporation, to enter into any contract or execute and satisfy any instrument, and any such authority may be general or confined to specific instances, or otherwise limited.

6.2. Loans. The Chief Executive Officer, the President or any other officer, employee or agent authorized by the Bylaws or by the Board may effect loans and advances at any time for the Corporation from any bank, trust company or other institution or from any firm, corporation or individual and for such loans and advances may make, execute and deliver promissory notes, bonds or other certificates or evidences of indebtedness of the Corporation, and when authorized so to do may pledge and hypothecate or transfer any securities or other property of the Corporation as security for any such loans or advances. Such authority conferred by the Board may be general or confined to specific instances or otherwise limited.

6.3. Checks, Drafts, Etc. All checks, drafts and other orders for the payment of money out of the funds of the Corporation and all notes or other evidences of indebtedness of the Corporation shall be signed on behalf of the Corporation in such manner as shall from time to time be determined by resolution of the Board.

6.4. Deposits. The funds of the Corporation not otherwise employed shall be deposited from time to time to the order of the Corporation in such banks, trust companies or other depositories as the Board may select or as may be selected by an officer, employee or agent of the Corporation to whom such power may from time to time be delegated by the Board.

ARTICLE 7

SHARES AND DIVIDENDS

7.1. Certificates Representing Shares. The shares of the Corporation shall be represented by certificates in such form (consistent with the provisions of Section 508 of the Business Corporation Law) as shall be approved by the Board, and shall be numbered consecutively and entered in the books of the Corporation as they are issued. Each certificate shall be signed by the Chief Executive Officer, President or a Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, and may be sealed with the seal of the Corporation or a facsimile thereof. The signatures of the officers upon a certificate may be facsimiles, if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee. In case any officer who has signed or whose facsimile signature has been placed upon any certificate shall have ceased to be such officer before such certificate is issued, such certificate may, unless otherwise ordered by the Board, be issued by the Corporation with the same effect as if such person were such officer at the date of issue.

7.2. Transfer of Shares. Transfers of shares shall be made only on the books of the Corporation by the holder thereof or by his or her duly authorized attorney appointed by a power of attorney duly executed and filed with the Secretary or a transfer agent of the Corporation, and on surrender of the certificate or certificates representing such shares properly endorsed for transfer and upon payment of all necessary transfer taxes. Every certificate exchanged, returned or surrendered to the Corporation shall be marked "Cancelled," with the date of cancellation, by the Secretary or an Assistant Secretary or the transfer agent of the Corporation. A person in whose name shares shall stand on the books of the Corporation shall be deemed the owner thereof to receive dividends, to vote as such owner and for all other purposes as respects the Corporation. No transfer of shares shall be valid as against the Corporation, its shareholders and creditors for any purpose, except to render the transferee liable for the debts of the Corporation to the extent provided by law, until such transfer shall have been entered on the books of the Corporation by an entry showing from and to whom transferred.

7.3. Transfer and Registry Agents. The Corporation may from time to time maintain one or more transfer offices or agents and registry offices or agents at such place or places as may be determined from time to time by the Board.

7.4. Lost, Destroyed, Stolen and Mutilated Certificates. The holders of any shares shall immediately notify the Corporation of any loss, destruction, theft or mutilation of the certificate representing such shares, and the Corporation may issue a new certificate to replace the certificate alleged to have been lost, destroyed, stolen or mutilated. The Board may, in its discretion, as a condition to the issue of any such new certificate, require the owner of the lost, destroyed, stolen or mutilated certificate, or his or her legal representative or representatives, to make proof satisfactory to the Board of such loss, destruction, theft or mutilation and to advertise such fact in such manner as the Board may require, and to give the Corporation and its transfer agents and registrars, or such of them as the Board may require, a bond in such form, in such sums and with such surety or sureties as the Board may direct, to indemnify the Corporation and its transfer agents and registrars against any claim that may be made against any of them on account of the continued existence of any such certificate so alleged to have been lost, destroyed, stolen or mutilated and against any expense in connection with such claim.

7.5. Regulations. The Board may make such rules and regulations as it may deem expedient, not inconsistent with the Bylaws or with the Certificate of Incorporation, concerning the issue, transfer and registration of certificates representing shares.

7.6. Limitation on Transfers. If any two or more shareholders or subscribers for shares shall enter into any agreement whereby the rights of any one or more of them to sell, assign, transfer, mortgage, pledge, hypothecate, or transfer on the books of the Corporation any or all such shares held by them shall be abridged, limited or restricted, and if a copy of such agreement shall be filed with the Corporation and shall contain a provision that the certificates representing shares subject to it shall bear a reference to such agreement, then all certificates representing shares covered or affected by said agreement shall have such reference thereto endorsed thereon; and such shares shall not thereafter be transferred on the books of the Corporation except in accordance with the terms and provisions of such agreement.

7.7. Dividends, Surplus, Etc. Subject to the provisions of the Certificate of Incorporation and of law, the Board

7.7.1 May declare and pay dividends or make other distributions on the outstanding shares in such amounts and at such time or times as, in its discretion, the condition of the affairs of the Corporation shall render advisable;

7.7.2 May use and apply, in its discretion, any of the surplus of the Corporation in purchasing or acquiring any shares of the Corporation, or warrants therefor, in accordance with law, or any of its bonds, debentures, notes, scrip or other securities or evidences of indebtedness;

7.7.3 May set aside from time to time out of such surplus or net profits such sum or sums as, in its discretion, it may think proper, as a reserve fund to meet contingencies, or for equalizing dividends or for the purpose of maintaining or increasing the property or business of the Corporation, or for any other purpose it may think conducive to the best interests of the Corporation.

ARTICLE 8

INDEMNIFICATION

8.1. Indemnification of Directors and Officers. Any person made, or threatened to be made, a party to an action by or in the right of the Corporation to procure a judgment in its favor, or made, or threatened to be made, a party to an action or proceeding other than one by or in the right of the Corporation to procure a judgment in its favor, by reason of the fact that he or she, his or her testator or intestate is or was a director or officer of the Corporation, or of any other corporation, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which he or she, his or her testator or intestate served in any capacity at the request of the Corporation, shall be indemnified by the Corporation against the reasonable expenses (including attorney's fees, judgments, fines and amounts paid in settlement) actually incurred by him or her as a result of such action or proceeding, or any appeal therein, to the full extent permissible under Sections 721 through 726 of the Business Corporation Law.

8.2. Contract of Indemnification. The provisions of Section 8.1 of the Bylaws shall be deemed a contract between the Corporation and each director and officer who serves in such capacity at any time while Section 8.1 of the Bylaws and the relevant provisions of the Business Corporation Law and other applicable law, if any, are in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

8.3. Indemnification of other Persons. The Board, in its discretion, shall have power on behalf of the Corporation to indemnify any person, other than a director or officer, made a party to any action or proceeding by reason of the fact that he, his or her testator or intestate, is or was an employee of the Corporation.

ARTICLE 9

BOOKS AND RECORDS

9.1. Books and Records. The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of the shareholders, Board and executive committee, if any. The Corporation shall keep at the office designated pursuant to the Certificate of Incorporation or at the office of the transfer agent or registrar of the Corporation in New York State, a record containing the names and addresses of all shareholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof Any of the foregoing books, minutes or records may be in written form or in any other form capable of being converted into written form within a reasonable time.

9.2. Inspection of Books and Records. Except as otherwise provided by law, the Board shall determine from time to time whether, and, if allowed, when and under what conditions and regulations, the accounts, books, minutes and other records of the Corporation, or any of them, shall be open to the inspection of the shareholders.

ARTICLE 10

SEAL

The Board may adopt a corporate seal which shall be in the form of a circle and shall bear the full name of the Corporation and the year of its incorporation.

ARTICLE 11

FISCAL YEAR

The fiscal year of the Corporation shall be determined, and may be changed, by resolution of the Board.

ARTICLE 12

VOTING OF SHARES HELD

Unless otherwise provided by resolution of the Board, the Chief Executive Officer or the President may, from time to time, appoint one or more attorneys or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as a shareholder or otherwise in any other corporation, any of whose shares or securities may be held by the Corporation, at meetings of the holders of the shares or other securities of such other corporation, or to consent in writing to any action by any such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, consents, waivers or other instruments as he may deem necessary or proper; or the Chief Executive Officer or the President may himself attend any meeting of the holders of the shares or other securities of any such other corporation and thereat vote or exercise any or all other powers of the Corporation as the holder of such shares or other securities of such other corporation.

ARTICLE 13

AMENDMENTS

13.1. Power to Amend. The Bylaws may be amended or repealed, or new Bylaws may be adopted, by vote of the holders of the shares entitled to vote in the election of directors. Except as may be otherwise provided in a Bylaw adopted by the shareholders, the Bylaws may be amended or repealed, or new Bylaws may be adopted, by the Board, provided that the vote of a majority of the entire Board shall be required to change the number of authorized directors. Any Bylaw adopted or amended by the Board may be amended or repealed by the shareholders entitled to vote thereon.

13.2. Bylaws Regulating Election of Directors. If any Bylaw regulating an impending election of directors is adopted, amended, or repealed by the Board, the Bylaw so adopted, amended, or repealed shall be set forth in the notice of the next meeting of shareholders for election of directors, together with a concise attachment of the changes made.

CERTIFICATE OF SECRETARY

THIS IS TO CERTIFY that I am the duly elected, qualified and acting Secretary of PALI HOLDINGS, INC. and that the above and foregoing Bylaws, constituting a true original copy, were duly adopted as the Bylaws of said corporation by the directors of said corporation on January 5, 2007.

IN WITNESS WHEREOF, I have hereunto set my hand.

Date: January 5, 2007

David Wasitowski, Secretary